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Report Highlights:

Russia's retail sector is growing 20% annually, and represents one of the fastest growing sectors of the Russian economy. Retail food sales contributed over 40% to total retailing in 2006, with total value exceeding \$350 billion. Strong economic growth and rising consumer incomes are driving new trends in Russian food retailing focused on leisure, product variety, and the shopping experience. Retail chains are expanding out of Moscow and St. Petersburg to other markets. Russian officials have proposed legislation regulating domestic retailing that would cap profit margins for certain products and force more domestic content, thereby likely cutting the growth rate of the retail sector.

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Executive Summary	3
Section I. Market Summary	3
Figure 1. Russia: Retail Chains' Share of Retail Market, 2006	4
Existing Retail Sales Outlet Formats in Russia	4
Growing Value of Russian Retail Food Market	5
Figure 2. Russia: Combined Retail Sales of Selected Retail Food Formats.....	5
Table 1. Russia: Growth of Selected Food Retail Formats, 2001-2006.....	6
Trends in Retailing	6
Section II. Road Map for Market Entry	7
Advice to Exporters	7
Figure 3. Russia: Distribution Channel for Supermarkets, Import of Transatlantic Products via the Port of Greater St. Petersburg	8
Figure 4. Russia: Distribution Channel for Supermarkets, Delivery from Europe	8
Company Profiles.....	9
Table 2. Russia: Major Retail Chains, 2006	9
Section III. Competition	10
Table 3. Russia: Top Ten Origins of Retail-Oriented Ag & Food Product Imports.....	10
Table 4. Russia: Major Competitors, by Retail-Oriented Commodity Grouping	11
Section IV. Best Product Prospects.....	13
Table 5. Russia: Advantages and Challenges for U.S. Exporters	14
Policy.....	14
Food Price Stabilization	14
Draft Legislation Regulating Retail Trade.....	14
Administrative Barriers Restrict Growth.....	16
Sanitary and Phytosanitary Issues	16
Section V. Key Contacts and Further Information.....	16
Contact Information for FAS Offices in Russia and in the United States	16
Other Useful Contacts	17
Other Relevant Reports	18

Executive Summary

Russia's retail sector is growing 20% annually, according to the Aton Investment Group, and represents one of the fastest growing sectors of the Russian economy. Retail food sales contributed over 40% to total retail sales in 2006 with a total value exceeding \$350 billion, according to some analysts. Rising incomes and sophistication among consumers are forcing retailers to develop new formats to attract and retain consumers, as Russian consumers seek entertainment value in their shopping experience. In response, many retailers are moving into malls that provide customers with other services and entertainment venues, such as movie theaters, live performances, and ice skating.

The emergence of larger retailers with annual turnover exceeding 1 billion U.S. dollars is influencing the development of the retail sector in Russia. For example, the industry giant X5 group was created by a merger between Pyatyorochka and Perekryostok, and analysts are watching to see if the X5 merger may signal the start of a wave of mergers and acquisitions in the retail food sector. Retail chains currently occupy about 15% of the retail food market, and that share is growing over time, causing the Russian government to propose stiffer regulation, including anti-monopoly legislation, of these chains.

Supermarkets and older Soviet-style stores, including wet markets, are losing market share to newer retail formats such as hypermarkets and discounters, the fastest growing food retail formats, which control 1% and 58%, respectively. Hypermarkets are generally located in suburban areas outside larger cities. They attract consumers through lower prices and a large selection of products. Convenience stores are growing in popularity in residential areas because of their accessibility and large selection of products compared to traditional small Russian outlets.

Food price inflation in Russia continues to be a sensitive issue among consumers and policy makers, especially during this election season, and some officials have proposed a law permanently to fix prices for food staples and other products classified as "social products". The proposed law is in an early stage of development, but may cap profit margins on target products and thus force retailers to renegotiate contracts with suppliers. This proposed legislation would also seek to force retailers to include more domestic content in their product lines. The net impact of this measure would likely be to cut rate of the retail sector.

Section I. Market Summary

Retail chains are a relatively new concept in Russia, typically concentrated in areas that offer businesses the best logistical support. This includes transportation, warehousing, and communications infrastructure to support commerce, as well as relatively high concentrations of consumers and wealth. Figure 1 shows the share of the retail market dominated by retail chains in Moscow, St. Petersburg and other urban markets. Nationwide, retail chains occupy about 15% of the food retail market, but with higher concentrations in major urban centers.

The relatively high level of concentration in St. Petersburg suggests that retail chains found the best logistical and consumer environment in that city, followed by Moscow. St. Petersburg's status as a major entry point into Russia for international trade also plays a significant role. As St. Petersburg and Moscow approach market saturation levels, retailers are being forced to develop markets farther inland in the smaller provincial cities, where infrastructure is less developed.

Figure 1. Russia: Retail Chains' Share of Retail Market, 2006

Source: Aton Research Group

Existing Retail Sales Outlet Formats in Russia

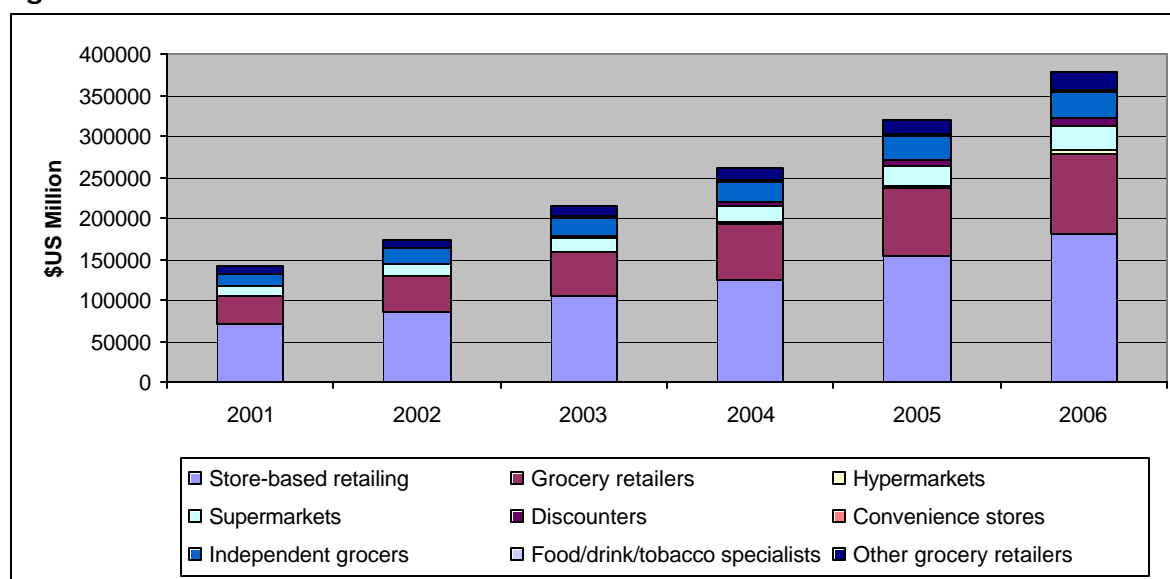
The following retail sales outlet formats exist in the Russian market:

- **Hypermarket.** A store with retail space of over 2,500 sq. meters, where not less than 35 percent of the space is used for sales of non-food products. As a rule, a hypermarket is located on the outskirts of large cities, or is the anchor store of a large urban shopping mall (e.g., Mosmart, O'Key, Auchan).
- **Supermarket.** A retail outlet with sales space from 400 to 2,500 sq. meters, where at least 70 percent of the product line is food products and everyday goods (e.g., "Perekryostok", "7th Continent", "Patterson").
- **Cash & Carry.** A retail outlet of roughly 1,500 sq. meters, working under the principles of small wholesaling (e.g., "Lenta", "Metro").
- **Discounter.** As a rule, a store with sales space from 300 to 900 sq. meters, where the range of products ranges from 1,000 to 4,000 items, and most popular goods are low priced (e.g., "Nakhodka", "Kvartal", "Pyatyorochka", "Kopeyka", "Diksi").
- **Convenience stores.** A retail outlet with small sales space (up to 300 sq. meters), located in urban residential areas or gas stations. The store serves the local market, and is often open 24 hours. In Russia, such retail sales points have just started to develop, and increasingly are replacing neighborhood kiosks. ("ABK", "Samokhval").
- **Coordinated Sales Space.** Retail space up to 10,000 sq. meters with a large number of independent retail operators sharing a building's sales floor, each offering a wide range of products.
- **Wet Markets / Cooperative Markets.** Primitive retail space intended for domestic producers, by government policy to be operated by farmers and farmers' cooperatives.

Growing Value of Russian Retail Food Market

Strong economic growth and rising consumer spending in Russia have supported growth in retail sales, with hypermarkets and discounters among the fastest growing retail formats (see Table 1). From 2005 to 2006 retail sales in hypermarkets and discounters increased 58.2% and 33.5%, respectively. These formats are typically located in suburban areas. They offer consumers lower prices and a larger selection of consumer goods than do traditional small Russian neighborhood retailers.

Figure 2. Russia: Combined Retail Sales of Selected Retail Food Formats



Source: Retailing: Euromonitor from trade sources/national statistics

Retail sales, excluding sales tax, current values converted using 2006 exchange rate

Soviet-style formats are losing popularity among consumers due to poorer selection and inefficient processes. During the Soviet era clerks retrieved goods for consumers based on the customer's shopping list and the availability of items. This process leads to longer queues and wait times, and is unpopular with customers increasingly pressed for time.

Table 1. Russia: Growth of Selected Food Retail Formats, 2001-2006
Value of Retail Sales, Exclusive of Sales Tax, in million U.S. dollars

	2001	2002	2003	2004	2005	2006	% change '05-'06	% change '01-'06
Store-based retailing	70,077.2	85,830.1	103,859.0	125,337.0	152,630.0	179,467	17.6	156.1
Grocery retailers	35,111.8	43,839.3	55,004.9	67,562.5	83,785.0	99,251.5	18.5	182.7
Hypermarkets	69.5	184.9	568.8	1,423.7	2,047.6	3240.3	58.2	4,562.3
Supermarkets	10,834.7	13,515.2	17,079.0	20,977.9	25,925.2	30,995.8	19.6	186.1
Discounters	657.7	1,167.8	2,165.7	4,470.0	7,150.6	9,544.1	33.5	1,351.1
Convenience stores	161.9	197.6	233.1	270.4	309.9	340.9	10.0	110.6
Independent grocers	14,955.6	17,946.8	21,177.2	24,247.9	27,642.6	30,683.3	11.0	105.2
Food/drink/ tobacco specialty shops	877.0	1,156.0	1,518.2	1,834.3	2,109.5	2,255.3	6.9	157.2
Other grocery retailers	7,555.5	9,671.0	12,262.8	14,338.3	18,599.6	22,191.8	19.3	193.7
TOTAL	140,300.9	173,508.7	213,869.1	260,461.6	320,199.6	377,969.7	18.0	169.4

Source: Euromonitor from trade sources and national statistics

Trends in Retailing

The success of new retail formats emphasizing greater variety and lower-priced goods is affecting the development of the retail food market. In addition, an increasing number of chains exceeds annual turnover of \$US 1 billion dollars (see Figure 3). The largest food retailer, the holding company X5, increased net sales 49% from 2005 to 2006, from \$2.4 billion to \$3.6 billion, according to Euromonitor.

To the degree that the Russian retail market matures, particularly in Western Russia, and competition for consumers increases, smaller retailers may be squeezed out as larger retail chains strengthen their positions to establish national brands. For example, X5's strategy is to become a market leader in three formats: discounters, hypermarkets, and supermarkets, which are the three fastest growing formats in Russia. One possible scenario is that retailers will follow the example set by X5 and try to position themselves as leaders in multiple formats. This strategy may explain the rapid innovation underway in the retail food industry in Russia.

Wet markets, despite the best efforts of Russian policymakers to preserve them as outlets for small-scale producers and farm cooperatives, are slowly dying out.

Section II. Road Map for Market Entry

Advice to Exporters

The best entry strategy for new exporters depends on several factors, including the target market, economic conditions, and host country regulatory environment as it relates to the products in question. Exporters can request a brief market assessment for their products and/or a list of Russian importers from the ATO Moscow, St. Petersburg and Vladivostok. Additionally, ATO Moscow offers the following recommendations to help exporters select the best approach for their firm:

- **Establish a Representative Office:** One of the best ways exporters can conduct business in Russia is to open a representative office. Depending on the product and target market, an office might be sited in Moscow, a city that hosts a large concentration of retailers and representative offices; St. Petersburg, the port city through which the largest volume of sea-borne freight passes; or Vladivostok, the principal transpacific gateway to the Russian Far East.
- **Work with a Russian Importer:** Selecting the right trade partner is one of the most important decisions for exporters developing their business in Russia. Working with a local partner in Russia significantly expands business opportunities, and minimizes the need for exporters to establish direct contact with multiple retail chains. A local Russian partner familiar with market conditions and the regulatory environment can help exporters navigate the Russian retail market, resolve issues, and increase the likelihood of success. Exporters representing U.S. companies may contact the Moscow ATO for assistance in locating importers. Performing due diligence is critically important, such as verifying banking and supplier references of potential importers, and local and U.S.-based organizations in Russia can provide helpful information to exporters. However, credit reporting is a relatively new practice in Russia, and credit-reporting agencies may not have complete information on potential Russian business partners. Retail chains may be another valuable source for exporters collecting information on importers.
- **Provide Sales Support:** Exporters must help market the products they sell in Russia. Russian importers and wholesalers expect exporters to participate in the sales process, either by providing event marketing support, advertising assistance, training, packaging/handling advice, or point of sales materials.
- **Attend Promotional Events:** One of the main challenges to exporters entering the Russian market is product promotion. A cost-effective way exporters can promote their products is to participate in one of the largest general food and beverage trade shows in Russia, World Food Moscow, held annually in September. If exporters are targeting specific regions within Russia, the Moscow ATO recommends participating in regional exhibitions. Participation fees for regional exhibitions are lower, and are aimed at local consumers and retail food chains. The Russian retail market is competitive; exporters should allocate time to visit Russia and earmark funds in their sales plans for promotional support.

Figure 3. Russia: Distribution Channel for Supermarkets, Import of Transatlantic Products via the Port of Greater St. Petersburg

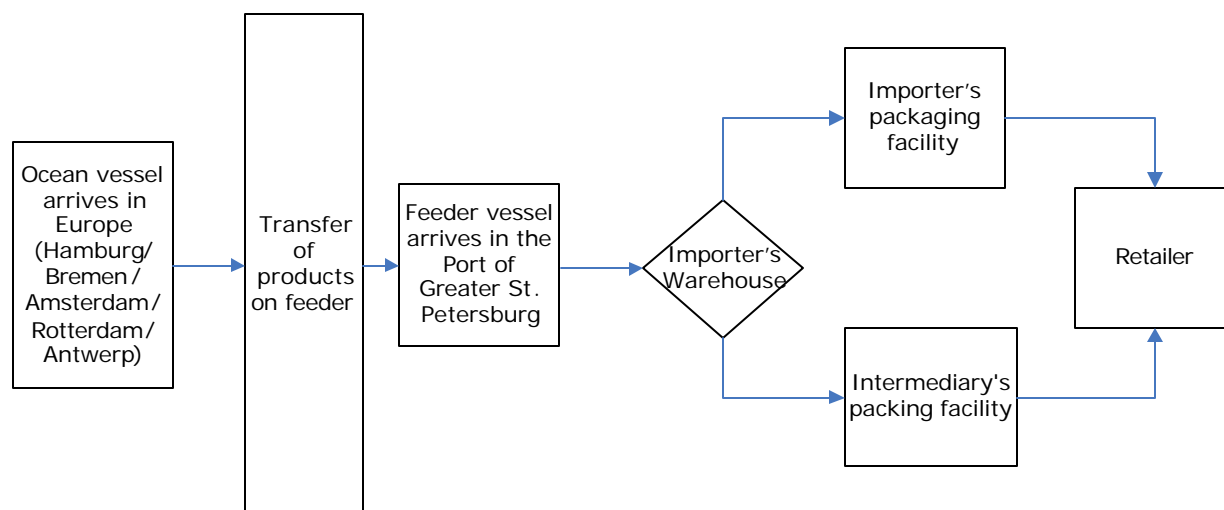
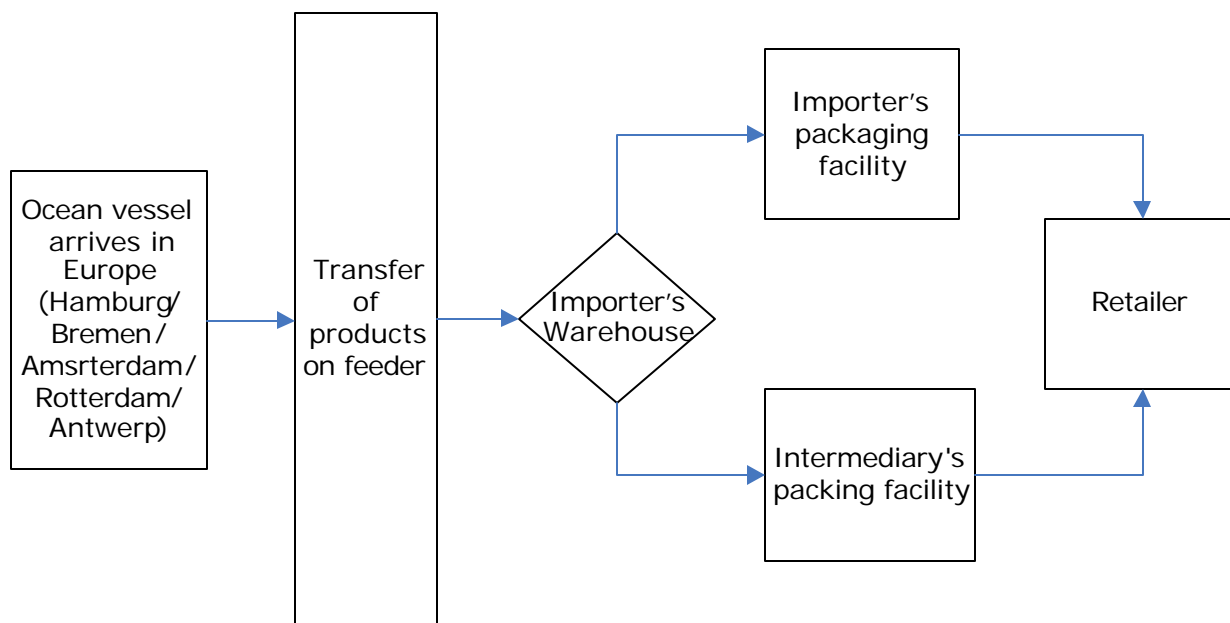


Figure 4. Russia: Distribution Channel for Supermarkets, Delivery from Europe



Company Profiles

Table 2. Russia: Major Retail Chains, 2006

Retailer name and outlet type	Ownership	Sales in 2006, US\$ Million	No. of outlets, 2006	Locations
Pyatyorochka, discounters & hypermarkets	X5 Retail Group, local	2,388.84 ¹	920	Moscow and St. Petersburg, and 16 Russian regions
Magnit, discounters	Magnit ZAO, local	2,231.29 ¹	1,893	470 Russian cities
Perekryostok, supermarkets	X5 Retail Group, local	1558.16 ¹	165	nearly 40 Russian cities
Kopeyka, discounters	Kopeyka TD OAO, local	1,347.85 ¹	250	Mainly Moscow region and European Russia
Lenta, discounters	Lenta OOO, 60% local, 40% U.S.	1,016	26	North-Western Russia and Siberia
Metro Cash & Carry, hypermarkets & supermarkets	Metro Group, German	Over 1,000	38	26 cities of European and Siberian Russia
Sedmoy Kontinent, supermarkets & hypermarkets	Sedmoy Kontinent OAO, local	934.27 ¹	128	Moscow, St. Petersburg, Kaliningrad and Minsk
Auchan, hypermarkets	Auchan Group, French	917.23 ¹	13	Moscow and St. Petersburg regions
Ramstore, hypermarkets & supermarkets	Ramenka ² , OOO, Turkish	862.18 ¹	60	9 cities of European Russia
O'Key, hypermarkets & supermarkets	Dorinda Holding S.A., Luxemburg, local, Estonian	800	13	St. Petersburg region and 4 Russian cities
Gross Mart & Billa, supermarkets	Holding "Marta", German & local	621	129	Moscow and St. Petersburg
Mosmart, hypermarkets, supermarkets, convenience stores	Mosmart ZAO, local	450	30	Moscow and 7 larger cities of European Russia
Paterson, supermarkets	Firma 'Omega-97' OOO, local	402.2 ¹	90	European Russia, and Kyiv, Ukraine
Azbuka Vkusa, boutique supermarkets	Azbuka Vkusa OOO, local	87.5	23	Moscow and St. Petersburg

¹ Original figures in rubles, calculated at exchange rate \$1.00 = 27.08 rubles.

² Ramenka is a joint venture of Turkish firms Koc Holding and Enka Insaat. In September 2007 Koc Holding agreed to sell its 50% stake in Ramenka to Enka.

Sources: Euromonitor International, company reports and websites, trade press, RBC Daily, www.interfood.ru, www.retailer.ru.

Section III. Competition

U.S. exporters face heavy competition in this rapidly growing market. The European Union enjoys a logistical advantage due to its proximity and ability to ship product overland as well as by air and sea. Belarus, which occupies a common customs zone with Russia, enjoys duty-free access to the Russian market for agricultural products and its exports do not even appear in Russia's import statistics. Brazil occupies a dominant position on the Russian meat market, despite chronic outbreaks of foot-and-mouth and other livestock diseases.

China dominates the Russian Far East market for fruits and vegetables, and despite a ban on imports of Chinese meat due to disease problems remains a competitive black-market supplier of livestock products as well.

Domestic producers, after the implosion of Russian agriculture from 1991 through the early 2000s, are now receiving increased domestic support, as well as some level of protection via imposition of strict sanitary and phytosanitary controls that often exceed international standards. For example, rice imports from the U.S. remain banned and imports from other origins are subject to burdensome inspection requirements in order to protect domestic Russian rice producers. There is also increasing political pressure on retailers to buy locally, and a draft law on retail trade could crimp retailers' ability to choose suppliers strictly on the basis of cost and quality considerations.

Table 3. Russia: Top Ten Origins of Retail-Oriented Ag & Food Product Imports 2004-2006, in million dollars

Country	Jan-Dec 2004	Jan-Dec 2005	Jan-Dec 2006	% Market Share
--The World--	9,992.2	13,203.6	16,770.9	100.0
European Union	3,219.1	3,887.4	5,431.1	32.4
Brazil	1,125.2	1,909.7	2,430.3	14.5
United States	563.4	711.2	909.0	5.4
Ukraine	979.8	1,243.0	750.9	4.5
Argentina	271.8	501.4	735.8	4.4
China	336.6	490.0	673.6	4.0
Uzbekistan	232.9	331.5	485.1	2.9
Norway	319.6	465.5	466.5	2.8
Turkey	192.3	315.8	462.8	2.8
Ecuador	334.5	420.9	449.8	2.7

Source: World Trade Atlas. Retail-oriented agricultural and food products include HS positions 01-04, 07-09, and 16-22.

The falling dollar exchange rate has made U.S. exports more competitive in the last year, creating new opportunities for American products, and offsetting to some degree the higher transportation costs involved in importing from across the Atlantic.

Table 4. Russia: Major Competitors, by Retail-Oriented Commodity Grouping

Commodity	Rank	Country	2006 Percent Share ¹
Fresh fruits			
Net imports, MT	1	Ecuador	16.20
4.38 million	2	Uzbekistan	12.54
Dollar value	3	Turkey	10.97
2.7 billion	4	Morocco	6.57
	5	Argentina	6.57
	6	China	6.08
	7	Poland	3.83
Fresh vegetables			
Net imports, MT	1	China	15.71
1.96 million	2	Netherlands	13.77
Dollar value	3	Uzbekistan	12.60
842.1 million	4	Kazakhstan	11.60
	5	Turkey	11.38
	6	Spain	5.34
	7	Poland	5.11
	8	Azerbaijan	3.90
Pet food			
Net imports, MT	1	Hungary	32.14
91.479	2	Netherlands	16.30
Dollar value	3	France	11.22
103.7 million	4	Germany	9.32
	5	Austria	8.69
	6	United States	7.92
	7	Denmark	4.57
Poultry			
Net imports, MT	1	United States	59.20
1.27 million	2	Brazil	23.38
Dollar value	3	Germany	5.41
921.5 million	4	France	4.81
Processed fruits and vegetables			
Net imports, MT	1	China	15.51
1.54 million	2	Poland	13.25
Dollar value	3	Hungary	10.25
897.4 million	4	Ukraine	6.15
	5	Spain	5.07
	6	Thailand	4.68
	7	Iran	4.47
	8	India	3.96

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Rice			
Net imports, MT	1	China	39.23
357,545	2	Vietnam	15.96
Dollar value	3	India	14.52
113.2 million	4	Thailand	13.11
	5	Pakistan	8.37
	6	Kazakhstan	2.87
	7	Egypt	2.10
	8	United States	2.09
	9	Belgium	1.21
Red meat (fresh, frozen, chilled)			
Net imports, MT	1	Brazil	33.53
1.65 million	2	Argentina	12.01
Dollar value	3	Denmark	8.66
3.39 billion	4	Paraguay	6.61
	5	Germany	6.09
	6	Uruguay	5.66
	7	United States	5.06
Salmon			
Net imports, MT	1	Norway	74.43
50,160	2	Chile	5.84
Dollar value	3	United Kingdom	4.53
176.8 million	4	Denmark	3.55
	5	Faroe Islands	3.22
	6	Iceland	2.55
	7	Estonia	2.36
	8	United States	2.01
Seafood			
Net imports, MT	1	Norway	32.79
850,380	2	China	9.81
Dollar value	3	Vietnam	8.03
1.3 billion	4	Denmark	6.74
	5	United Kingdom	4.14
	6	Chile	3.97
	7	Iceland	3.45
	8	United States	3.40
Snack Foods			
Net imports, MT	1	Ukraine	35.91
238,079	2	Poland	18.93
Dollar value	3	Germany	14.53
939.4 million	4	Italy	4.10
	5	Netherlands	3.15
	6	Turkey	2.88

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Tree nuts			
Net imports, MT	1	Iran	39.06
55,439	2	United States	18.09
Dollar value	3	Turkey	8.87
174 million	4	Azerbaijan	5.82
	5	Vietnam	5.05
	6	India	4.27
	7	Indonesia	3.30
	8	Uzbekistan	2.63
	9	Ukraine	2.55
Wine and beer			
Net imports, MT	1	Italy	17.70
876.2 million	2	France	15.83
Dollar value	3	Ukraine	12.83
746, 6 million	4	Spain	12.70
	5	Bulgaria	7.28
	6	Germany	6.44

¹ If U.S. is not listed, share is less than 1%

Source: World Trade Atlas

Section IV. Best Product Prospects

Top performing retail-oriented U.S. exports to Russia in 2006 and January–September 2007 include poultry and red meats, fresh fruit, fish and seafood, and tree nuts. U.S. poultry exports are the largest contributor to the total value of agricultural exports to Russia, accounting for over 60% of the total value of U.S. agricultural exports from 2002 to 2006¹. Russians are consuming more tree nuts and fresh fruit from America, particularly the larger sizes of apples and pears. The favorite American apples in Russia are Red and Golden Delicious, and Braeburn. However, the Granny Smith apple is not as popular because Russian consumers dislike the yellow sunburn scald that appears on some fruit². Popular American pears include Green Anjou, Red Anjou and Bartlett.

In winter American apples and pears are in high demand because of their flavor and longer storage life relative to other fresh fruits. Exports of U.S. tree nuts increased over 78% in January - September 2007 compared to the same period in 2006³, and retailers report that consumers are demanding dried fruits and peanut butter.

Other top U.S. export products include: wine and spirits, processed fruits and vegetables, and snack foods (excluding nuts). Cheese exports are a new opportunity, and Russia plans to increase cheese imports as part of an overall strategy to reduce food price inflation of staple products. Recent negotiation of a new veterinary health certificate for retail sale of frozen pork has opened new opportunities for U.S. red meat exporters, and ongoing negotiations over a new certificate for beef (one recognizing the new U.S. status as a controlled-risk

¹ U.S. Customs data.

² Sunburn-scald is a fruit physiological disorder caused by heat and water stress, among other factors. Granny Smith apples are more susceptible to sunburn-scald due to their light skin.

³ U.S. Customs data.

country for bovine spongiform encephalopathy) hold promise for renewed sales of beef in the coming year.

Table 5. Russia: Advantages and Challenges for U.S. Exporters

Advantages	Challenges
Paying in dollars is advantageous for exporting to Russia compared to Europe due to the lower cost of the dollar relative to the euro.	Government bureaucracy and corruption. Contradictory and overlapping regulations. Official government opposition to growth in food imports
In 2008 Russia will become the largest consumer market in Europe, according to a recent Troika Dialogue Report.	Economic vulnerability, dependence on oil and mineral extraction for most wealth.
Russian trade and investment policy is converging with international standards.	Continuing debate over World Trade Organization (WTO) accession and adherence to non-tariff barriers such as unscientific sanitary and phytosanitary restrictions, including ban on U.S. rice.
New format store chains are rapidly expanding to meet consumer demand, thus creating a good venue for imported products.	Russian consumers lack knowledge about the quality and benefits of U.S. agricultural products.
Greater emphasis on value-added production in food processing creates opportunities for new products.	American products face stiff competition in Russia from European, Asian and Latin American suppliers.
Investors are building more efficient storage facilities, improve infrastructure and logistics	Distance is a major barrier complicating logistics

Policy

Food Price Stabilization

In a country in which the average household spends a third of its disposable personal income and half its consumption budget on food, food price increases are a sensitive topic, all the more so in an election year. Recent pre-election food price stabilization measures undertaken by the Russian government led to a surge in consumer demand for staple foods. These measures, which are due to expire January 1, 2008, but which may be extended past the March presidential elections, consist of a price freeze on six staple goods (wheat and rye bread, milk of 1.5% butterfat or more, 1% fat *kefir*, sunflower oil and eggs) at the prices in effect October 15, 2007.

Many experts viewed the demand surge as panic buying, as consumers' memories of the rapid price increases under market liberalization policies of the early 1990's resurfaced. In response to the price stabilization measures, retailers are expected to increase prices for premium products to compensate for loss of profits on food staples.

Draft Legislation Regulating Retail Trade

In 2007 the Ministry of Economic Development and Trade (MEDT) proposed legislation to regulate retail trade, especially in foodstuffs. The draft law on trade activities is intended to be an anti-monopoly measure, but addresses as well questions of perishability of fresh products, overall profitability of retail chains, and pricing of "socially significant" foodstuffs.

In the view of some Russian government officials, retail chains have “too much market power” and thus both their profit margins and certain of their practices need to be regulated.

The true agenda of this proposed legislation, however, is market access for domestic producers. Since many Russian agricultural producers cannot meet quality and delivery standards of retailers, retailers often show preference for imports (this is particularly true of red meats, fruits, vegetables, and potatoes). Retail chains are accused of charging unfair “admission” fees for shelf space, demanding “retailer bonuses”, and shortchanging domestic suppliers either through arbitrary discounting or non-payment. A particular sore point is imposition of 50- to 60-day net payment terms, which smaller producers find difficult to bear.

The Russian government continues to seek ways to combat inflation. One proposed method is to continue to control prices for staple food products, and thus a centerpiece of the draft legislation is a cap on retail profit margins for at least some foodstuffs. The likely impact of this will be to slow growth in expansion of modern retailing, particularly by large chains, as profit margins are reduced.

While the scope of such a price control scheme is not yet known, one likely scenario is fixed prices for foodstuffs considered “social products,” and the creation of an administrative body to formulate and implement appropriate measures. The result of this proposal would place additional bureaucratic burdens on retailers, including administrative costs. Such a provision would likely target 120-150 locally produced foodstuffs (“social products”) aimed at poorer, fixed-income consumers, such as milk, bread, butter, and eggs. The proposal would cap retailers’ profit margins on these products at 8-12%, instead of the standard 15-20% attained at standard margin discounters, or the 60% margin acquired at some higher-end food retailers for premium categories.

Larger stores with substantial retail space devoted to non-food items believe they will be less affected by the proposed law. However, smaller food retailers may be affected more since they lack either the large selection of premium categories or retail space devoted to non-food items that would enable them to absorb higher costs. Reducing profit margins from 15-20% to 8-12% on a group of 150 items will not affect overall profitability of larger retailers offering 180,000 products, according to some retailers, who also blamed the media for instilling panic in consumers. The retailers note that they are not currently expecting food shortages or serious price increases.

In general, retailers do not oppose these pro-poor measures, but await further details that will define what food products are considered social products. Some high-end retailers focusing on premium brands stated that they don’t anticipate problems offering consumers social goods, since their stores devote relatively little retail space to staples.

The proposed legislation would be applied to retailers considered dominant in a certain district or area. Currently, there are no published guidelines on how a ‘dominant position’ for retail will be defined. However, experts believe a chain may qualify as having a dominant market position if it controls 15% or more of retail in a given district, and the Federal Antimonopoly Service has used the 15% threshold in other sectors of the economy. Under the proposed law the dominant retail chains would be required to amend contracts with current suppliers and to include specific margins on social products. The legislation is still under development, but the odds of some version of this legislation being passed in Spring 2008 are quite high.

Administrative Barriers Restrict Growth

While the retail food market is growing in Russia, not one grocery retailer can claim it operates nationally. Experts believe food retail chains are five years or more from achieving nationwide coverage.

Highlighting some common problems among retail sectors in Russia, Euroset, the largest cell phone retailer in Russia, noted that the legislative process is not keeping pace with the growth of the retail sector in Russia. According to Euroset, retailers can expect to wait at least half a year to process all the necessary documents to open a new store.

Sanitary and Phytosanitary Issues

Russian sanitary and phytosanitary requirements often constitute a trade barrier. Examples of this are the current ban on U.S. domesticated rice since discovery of adventitious admixture of the LLRICE 601 event in long-grain rice, and requirements for phytosanitary certificates for products not normally subject to such certification. Importers are also being confronted periodically with demands for veterinary certificates for canned products containing mixtures that include meat (e.g., canned ready-to-cook soups and stews).

Section V. Key Contacts and Further Information

Contact Information for FAS Offices in Russia and in the United States

Dana Johnson, Director, ATO Russia (ETA February 2008)
Daniil Schultz, Marketing Specialist
Natalia Merinova, Administrative Assistant
<http://eng.usda.ru>

Street address (for express parcels):

U.S. Agricultural Trade Office
American Embassy
Bolshoy Devyatinskiy pereulok 8
121099 Moscow, Russia
Tel: +7 (495) 728-5560; Fax: +7 (495) 728-5069
E-mail: atomoscow@fas.usda.gov

For mail coming from the U.S. (American officers only):

Agricultural Trade Office
PSC 77 AGR
APO, AE 09721

For international mail, especially from Europe:

Agricultural Trade Office
U.S. Embassy - Box M
Itainen Puistotie 14
00140 Helsinki, Finland

Covering Northwest Russia (St. Petersburg):
Ksenia Evdokimova, ATO Marketing Specialist
American Consulate General
Nevskiy Prospekt, 25
191186 St. Petersburg, Russia
Tel: 7 (812) 326-2580; Fax: 7 (812) 326-2561
E-mail: Ksenia.Evdokimova@fas.usda.gov

Covering the Russian Far East (Vladivostok):
Svetlana Ilyina, ATO Marketing Specialist
American Consulate General
Ulitsa Pushkinskaya, 32
690001 Vladivostok, Russia
Tel: 7 (4232) 300-089; Fax: 7 (4232) 300-089
E-mail: Svetlana.Ilyina@fas.usda.gov

For General Information on FAS/USDA Market Promotion Programs and Activities:
Office of Trade Programs
U.S. Department of Agriculture
Foreign Agricultural Service
1400 Independence Ave., S.W.
Washington, DC 20250
http://www.fas.usda.gov/OTP_contacts.asp

FAS Website: www.fas.usda.gov

For Trade Policy/Market Access Issues, General Information on the Russian Agricultural Sector, etc:

Allan Mustard, Agricultural Minister-Counselor
Kimberly Svec, Senior Agricultural Attache
Erik Hansen, Agricultural Attache
Office of Agricultural Affairs
American Embassy
(addresses as above for ATO Moscow)
Tel: 7 (495) 728-5222; Fax: 7 (495) 728-5133 or 728 5102
E-mail: agmoscow@usda.gov

To learn more about USDA/FAS and ATO services please visit <http://eng.usda.ru>.

Other Useful Contacts

The Agricultural Trade Office works with a large number of U.S. industry organizations, some of which have local offices to assist U.S. exporters of these food and agricultural products. You may also find these contacts listed at <http://eng.usda.ru>.

U.S.A. Poultry and Egg Export Council (USAPEEC)
E-mail: usapec@usapec.ru

U.S. Meat Export Federation (USMEF)
E-mail: Moscow@usmef.org

U.S. Wheat Associates
E-mail: uswmow@dol.ru

U.S. Grains Council (USGC)
E-mail: fgcmow@online.ru

Pear Bureau Northwest
E-mail: katerina@newmark.ru

Washington Apple Commission
Moscow office:
E-mail: office@bestapples.ru
Vladivostok office:
E-mail: katerina@newmark.ru

Almond Board of California
E-mail: Office@almondsarein.ru

Pet Food Institute
E-mail: agerman@globalworks.ru

National Renderers Association
E-mail: lischenko@ane.ru

The American Chamber of Commerce is another good source for information on doing business in Russia. The Chamber has offices in Moscow and St. Petersburg.
American Chamber of Commerce in Russia (AmCham)
Ul. Dolgorukovskaya, Building 7, 14th floor
127006 Moscow, Russia
Tel: 7 (495) 961-2141; Fax: 7 (495) 961-2142
<http://amcham.ru/>
Email: amchamru@amcham.ru

American Chamber of Commerce in St. Petersburg
25 Nevsky Prospect, 3rd Floor
191186 St. Petersburg, Russia
Tel: 7 (812) 326-2590; Fax: 7 (812) 326-2591 or 326-2561
<http://amcham.ru/spb/>
Email: st.pete@amcham.ru

For questions regarding agricultural machinery, food processing and packaging equipment or materials, refrigeration equipment, and other industrial products, please contact:

U.S. and Foreign Commercial Service
Bolshaya Molchanovka, 23/38, Bldg. 2
121069 Moscow, Russia
Tel: +7 (495) 737-5030; Fax: +7 (495) 737-5033
E-mail: moscow.office.box@mail.doc.gov

Other Relevant Reports

Attaché reports on the Russian food and agricultural market are available on the FAS Website; the search engine can be found at
<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>

RS 7334 Exporter Guide / Annual
<http://www.fas.usda.gov/gainfiles/200711/146293117.pdf>

RS7081 Products Subject to Border Veterinary Inspection
<http://www.fas.usda.gov/gainfiles/200711/146292933.pdf>

RS7073 Poultry and Products / Annual
<http://www.fas.usda.gov/gainfiles/200710/146292768.pdf>

RS7069 Export Certificates / Annual
<http://www.fas.usda.gov/gainfiles/200710/146292717.pdf>

RS7067 Livestock and Products / Annual
<http://www.fas.usda.gov/gainfiles/200710/146292718.pdf>

RS7061 Food and Agricultural Import Regulations and Standards / Annual
<http://www.fas.usda.gov/gainfiles/200709/146292471.pdf>

RS7323 FAIRS Product Specific / Wine
<http://www.fas.usda.gov/gainfiles/200707/146291722.pdf>

RS7051 Government Program for Agriculture and for Market Regulation 2008-2012
<http://www.fas.usda.gov/gainfiles/200707/146291764.pdf>

RS7049 Exporter Guide / Agricultural and Agribusiness Consultants in Russia
<http://www.fas.usda.gov/gainfiles/200707/146291683.pdf>

RS7041 Russia Increases Import Quota for Pork
<http://www.fas.usda.gov/gainfiles/200705/146281199.pdf>

RS7020 Progress of the National Priority Project in Agriculture
<http://www.fas.usda.gov/gainfiles/200702/146280251.pdf>

RS7011 List of Products that Require Quarantine and Phytosanitary Certificates
<http://www.fas.usda.gov/gainfiles/200707/146291722.pdf>

RS7008 Russia Lowers Out-of-Quota Import Duties on Beef
<http://www.fas.usda.gov/gainfiles/200701/146280054.pdf>

RS7005 Federal Law "On Development of Agriculture"
<http://www.fas.usda.gov/gainfiles/200701/146279991.pdf>

RS7004 Decrees on Agricultural Subsidization
<http://www.fas.usda.gov/gainfiles/200701/146279951.pdf>

RS6321 Growing Russian consumerism propels retail increases
<http://www.fas.usda.gov/gainfiles/200612/146269877.pdf>

RS6314 Fresh Deciduous Fruit / Six years of consistent market growth
<http://www.fas.usda.gov/gainfiles/200609/146228945.pdf>

RS6069 VPSS Eases Rice Import Ban for Shipments On the Water
<http://www.fas.usda.gov/gainfiles/200612/146269766.pdf>

RS6066 Russia Temporarily Bans Rice Imports
<http://www.fas.usda.gov/gainfiles/200612/146249713.pdf>

RS5084 Meat Tariff Rate Quota Decree Issued

<http://www.fas.usda.gov/gainfiles/200512/146131752.pdf>

RS5026 FAIRS Product Specific / Selected Fruits and Vegetables

<http://www.fas.usda.gov/gainfiles/200504/146119318.pdf>

RS5009 FAIRS Product Specific / Beer and Wine

<http://www.fas.usda.gov/gainfiles/200502/146118765.pdf>

RS5008 FAIRS Product Specific / Fish and Seafood Products

<http://www.fas.usda.gov/gainfiles/200502/146118935.pdf>